



Governor Michael J. Dunleavy
STATE OF ALASKA

January 29, 2019

The Honorable Cathy Giessel
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801

Dear President Giessel:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill proposing a resolution to amend the Constitution of the State of Alaska, Article IX, Sections 16 and 17. The proposed amendment would establish a baseline for a constitutional appropriation limit so that appropriations for a fiscal year would not exceed the average of the appropriations for the last three fiscal years plus 50 percent of inflation and population or two percent, whichever is less. The amendment includes exemptions from the limit for certain purposes, such as money deposited into the permanent fund, the permanent fund dividend program, money to pay general obligation and revenue bond proceeds, money of trust funds, and the appropriation of federal funds.

Additionally, the proposed amendment implements a constitutional savings plan that would transfer the unexpended, unobligated and unappropriated balance in the general fund at the end of a fiscal year first, to the Alaska Permanent Fund and second, to a savings reserve fund. The savings reserve fund may be allowed to grow until the balance is equal to the appropriation limit for the next fiscal year. After that, all surplus revenue would be deposited in the Alaska Permanent Fund.

We must develop a budget that is stable, predictable, and sustainable if we are to place our state on a trajectory for economic growth and future success. This amendment provides an important mechanism for the people of Alaska to curb the growth of future government spending. This amendment respects the intent of voters who choose to restrict the size of their government by lowering the constitutional appropriation limit amount and tying future appropriations to those made in the previous fiscal year. This amendment will ensure that when government collects more revenue than it needs to fund essential state services, the surplus revenue is saved for the future – not spent on growing government as in the past.

This resolution is a powerful but simple way to structurally reduce and cap government growth and implement a savings plan. I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "mjd", written over a horizontal line.

Michael J. Dunleavy
Governor

Enclosure

SENATE JOINT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:

Referred:

A RESOLUTION

Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; relating to the budget reserve fund and establishing the savings reserve fund; and relating to the permanent fund.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** Article IX, sec. 16, Constitution of the State of Alaska, is repealed and readopted to read:

Section 16. Appropriation Limit. (a) Appropriations made for a fiscal year shall not exceed the average of the appropriations made in the previous three fiscal years by more than fifty percent of the cumulative change in population and inflation since January 1 of the previous calendar year, derived from federal indices as prescribed by law, or two percent, whichever is less. This subsection does not apply to an appropriation

(1) to the principal of the Alaska permanent fund and from the Alaska permanent fund income for the administration of the fund or payment of permanent fund dividends;

1 (2) to meet a state of disaster declared by the governor as prescribed by
2 law;

3 (3) to pay obligations or spend the proceeds or revenue of State general
4 obligation bonds and revenue bonds;

5 (4) that is a reappropriation of a previous unobligated appropriation;

6 (5) that is duplicating the authorization to expend funds from another
7 appropriation;

8 (6) of money held in trust by the State or received from the federal
9 government for a particular purpose;

10 (7) of money received by the State from a source other than the State
11 or federal government that is restricted to a specific use by the terms of a gift, grant,
12 bequest, or contract; and

13 (8) of money to a State savings account or fund that requires a
14 subsequent appropriation from that account or fund as prescribed by law.

15 (b) Any unexpended, unobligated, and unappropriated balance in the general
16 fund at the end of a fiscal year shall be deposited into the following funds in the
17 priority order listed:

18 (1) the permanent fund under Section 15 of this article in an amount
19 not to exceed fifty-percent of the income produced from the permanent fund during
20 the fiscal year just ended;

21 (2) the savings reserve fund under Section 17 of this article in an
22 amount necessary to bring the savings reserve fund balance equal to the appropriation
23 limit for the next fiscal year;

24 (3) the permanent fund under Section 15 of this article.

25 (c) Section 7 of this article does not apply to deposits made to the permanent
26 fund under this (b) of this section.

27 * **Sec. 2.** Article IX, sec. 17(a), Constitution of the State of Alaska, is amended to read:

28 (a) There is established as a separate fund in the State treasury the savings
29 [BUDGET] reserve fund. Except for money deposited into the permanent fund under
30 Section 15 of this article, all money received by the State [AFTER JULY 1, 1990], as
31 a result of the termination, through settlement or otherwise, of an administrative

proceeding or of litigation in a State or federal court directly involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the savings [BUDGET] reserve fund. Money in the savings [BUDGET] reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) [OR (C)] of this section.

* **Sec. 3.** Article IX, sec. 17(b), Constitution of the State of Alaska, is amended to read:

(b) If the amount in the general fund available for appropriation for a fiscal year is less than the appropriation limit under Section 16 of this article [AMOUNT APPROPRIATED FOR THE PREVIOUS FISCAL YEAR], an appropriation may be made from the savings [BUDGET] reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds in the general fund available for appropriation, to provide for total appropriations equal to the appropriation limit under section 16 of this article [AMOUNT OF APPROPRIATIONS MADE IN THE PREVIOUS CALENDAR YEAR FOR THE PREVIOUS FISCAL YEAR].

* **Sec. 4.** Article XV, Constitution of the State of Alaska, is amended by adding new sections to read:

Section 30. Application of Appropriation Limit. The 2020 amendment limiting appropriation increases and requiring a portion of the unexpended, unobligated, and unappropriated balance in the general fund to go to the permanent fund (art. IX, sec. 15) applies to appropriations made for the fiscal year ending June 30, 2022, and thereafter.

Section 31. Budget Reserve Fund to Savings Reserve Fund Transition. Under the 2020 amendments to the former budget reserve fund (art. IX, sec. 17), the savings reserve fund replaces the former budget reserve fund. The money in the former budget reserve fund on the effective date of the 2020 amendments shall be deposited into the savings reserve fund. The repeal of Section 17(d) of Article IX in the 2020 amendments to the former budget reserve fund eliminates any repayment

1 required under that subsection through the fiscal year ending June 30, 2021.

2 * **Sec. 5.** Article IX, sec. 17(c) and (d), Constitution of the State of Alaska, is repealed.

3 * **Sec. 6.** The amendments proposed by this resolution shall be placed before the voters of
4 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
5 State of Alaska, and the election laws of the state.